IFPR – MIFIDPRU 8 Disclosure

The Investment Firms Prudential Regulations (IFPR), implemented in January 2022, requires investment firms to make a public disclosure concerning their adherence to these regulations. This disclosure fulfils Patronus Partners Ltd's (The Firm) obligations to disclose key pieces of information on the firm's governance, own funds, own funds requirements and remuneration.

1 Governance

The firm is governed by its Board of Directors (The "Board") which determines its business strategy and risk appetite. The Board is responsible for establishing and maintaining the Firm's governance arrangements including the design and implementation of a risk management framework that recognises the risks that the business faces. The Firm is supported by oversight from its Compliance function with a fortnightly Compliance & Risk Committee meeting to consider and escalate (where necessary) emerging risk issues to the Board.

The Board is comprised of four executive directors. To ensure that the Directors can devote sufficient attention to the management of the Firm, the number of other commercial directorships that they can hold is limited and is permitted only where there is no conflict with their duties to the firm and its clients and where they are permitted under FCA rules. These are disclosed in the table below:

Board of Directors	**Number of disclosable additional directorships**
Paul Kavanagh, CEO	One
Kareem Khouri, COO	Zero
John Prior, CIO	One
Jeremy Steinson	Zero

We seek to avoid conflicts of interest wherever possible. For this reason, we do not conduct any Proprietary Trading, we do not operate a Corporate Finance function, and we do not operate our own funds (Collective Investment Schemes). Therefore, all of our trading activity and investment recommendations are free from bias and based upon what is suitable, appropriate and in the best interests of our clients.

The Firm is not required by FCA rules to have a risk committee, as we fulfil the exemption set out in MiFIDPRU 7.1.4R. However, for reasons of good governance, we have always maintained a risk committee, to facilitate the identification and mitigation of risk and to ensure prompt escalation to the Board where necessary.

2 Own funds - composition of regulatory own funds

	Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	1,015,805	14
2	**TIER 1 CAPITAL**		

3	**COMMON EQUITY TIER 1 CAPITAL**	1,015,805	14
4	Fully paid up capital instruments	70,588	14
5	Share premium	282,353	14
6	Retained earnings	662,864	14
7	Accumulated other comprehensive income	~	~
8	Other reserves	~	~
9	Adjustments to CET1 due to prudential filters	~	~
10	Other funds	~	~
11	(-) Total deductions from common equity tier 1	~	~
19	CET1: Other capital elements, deductions and adjustments	~	~
20	**ADDITIONAL TIER 1 CAPITAL**		~
21	Fully paid up, directly issued capital instruments	~	~
22	Share premium	~	~
23	(-) Total deductions from additional tier 1	~	~
24	Additional Tier 1: Other capital elements, deductions and adjustments	~	~
25	**TIER 2 CAPITAL**		
26	Fully paid up, directly issued capital instruments	~	~
27	Share premium	~	~
28	(-) Total deductions from additional tier 1	~	~
29	Additional Tier 2: Other capital elements, deductions and adjustments	~	~

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		A	**B**	**C**
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		As at period end	**As at period end**	
Assets – *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	**Tangible assets**	**11,351**	**~**	**~**
2	**Investments**	**62,370**	**~**	**~**
3	**Debtors**	**747,838**	**~**	**~**
4	**Cash at bank and in hand**	**756,766**	**~**	**~**
xxx	**Total Assets**	**1,578,325**	**~**	**~**

Liabilities – *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	**Creditors: amounts falling due within one year**	**562,520**	**~**	**~**
Xxx	**Total Liabilities**	**562,560**	**~**	**~**
Shareholder's Equity				
1	**Called up share capital**	**70,588**	**~**	**~**
2	**Share premium account**	**282,353**	**~**	**~**
3	**Profit and loss reserves**	**662,864**	**~**	**~**
Xxx	**Total Shareholder's equity**	**1,015,805**	**~**	**~**
Own funds: main features of own instruments issued by the firm				
Free text. A non-exhaustive list of example features is included below.				
Private limited company with ordinary share capital split between classes A-D.				

3 Own funds requirements

The Firm's approach to assessing compliance with the overall financial adequacy rule is to undertake a regular Internal Capital Adequacy Risk Assessment (ICARA). This includes considering the split between capital requirements for ongoing operations and capital requirements for an orderly wind down, with the capital retained being the higher of the two. The Firm maintains a wind down plan and has assessed the amount of own funds and liquid assets required to support an orderly wind-down of the firm. The starting point is the own funds requirement: for both ongoing operations and wind down this is the fixed overhead requirement. To determine whether any additional own funds are required, the Firm has identified, assessed, and presented mitigations against those risks to which we are exposed as a going concern, and for wind down scenarios, modelled the potential costs against likely inputs and starting levels of AUM. Each of these assessments are considered separately and the higher of the totals (own funds plus additional own funds) is the minimum regulatory requirement. The own funds requirements, excluding our internal assessment of additional own funds, are as follows.

Higher of

Permanent Minimum Capital Requirement (PMR)	75,000
Fixed Overhead Requirement (FoR)	310,000
K-Factor requirements:	
K-AUM	169,000
K-DTF	3,000
Total K-factors requirement	172,000

Own funds requirement (higher of PMR, FOR, K-factors)	310,000
Own fund surplus	712,000

In addition, the Firm ensures it complies with its liquid assets threshold requirement. This is based on its Basic Liquid Asset Requirement of 1/3 of FOR plus an assessment of any additional liquid assets required in stressed conditions and during an orderly wind-down.

Liquid assets threshold requirement (1/3 FOR)	103,000
Cash at bank on 30 September 2022	982,000
Liquid asset surplus	879,000

4 Remuneration

The Firm's employees and Directors receive a combination of fixed and variable remuneration:

• Fixed Remuneration - employees receive fixed remuneration via a base salary according to the seniority of their role, experience and background. Director base salaries are set at a level which reflects the current and ongoing position of the business.

• Variable Remuneration – employees may receive variable remuneration in the form of discretionary bonuses. In all cases variable remuneration awards are dependent on alignment with the Firm's core principles, are only payable when the Firm has made a profit, and may be reduced, potentially down to zero, to reflect individual performance and conduct.

The Board is responsible for establishing, implementing and maintaining its Remuneration Policy, along with associated procedures and practices that are consistent with and promote sound, effective risk management and good customer outcomes. In line with FCA proportionality guidance the Board has not established a Remuneration Committee. The Board approves the establishment of any pension, bonus, profit sharing or other incentive scheme or plan for Board members as well as employees.

The Firm has nine Material Risk Takers by virtue of them being senior managers within the firm or heads of areas providing regulated discretionary, advisory or execution-only services to clients.

The Firm rewards its staff fairly and appropriately for their contribution towards the growth and success of the business, the level of service to clients and performance delivered to the firm's clients. In its last financial year to September 2022, the Firm paid salaries totalling £726,364.12 and variable remuneration (bonuses) totalling £473,602.01. The Firm's remuneration policy is designed to be consistent with, and promote, sound and effective risk management. To achieve this, the remuneration of staff is reviewed annually, taking into account individual performance and behaviours and market rates for the role being undertaken. In addition, the firm's variable remuneration arrangements are reviewed periodically to ensure their effectiveness. Variable remuneration awards are also reviewed annually to ensure that they are appropriate, fair and consistent across the firm.